

Supporting Statement For Paperwork Act Submissions

A. Background

Section 304(c) of Public Law 106-554 amended section 1886(d) (3) (E) of the Social Security Act to require CMS to collect data every 3 years on the occupational mix of employees for each short-term, acute care hospital participating in the Medicare program, in order to construct an occupational mix adjustment to the wage index, for application beginning October 1, 2004 (the FY 2005 wage index). The purpose of the occupational mix adjustment is to control for the effect of hospitals' employment choices on the wage index. For example, hospitals may choose to employ different combinations of registered nurses, licensed practical nurses, nursing aides, and medical assistants for the purpose of providing nursing care to their patients. The varying labor costs associated with these choices reflect hospital management decisions rather than geographic differences in the costs of labor.

In the April 4 and September 19, 2003 Federal Register notices (68 FR 16516 and 54905, respectively), CMS published a proposed and final notice of intent to collect occupational mix data from hospitals using the Medicare Wage Index Occupational Mix Survey, Form CMS-10079 (the 2003 survey). On December 17, 2003, CMS forwarded the 2003 survey and instructions to intermediaries for distribution to hospitals. CMS released the official 2003 survey as a CMS One-Time Notification (Pub. 100-20, R47OTN) on January 23, 2004.

The 2003 survey required hospitals to report the number of total paid hours for directly hired and contract employees in occupations that provide the following services: nursing, physical therapy, occupational therapy, respiratory therapy, medical and clinical laboratory, dietary, and pharmacy. These services each included several standard occupational classifications (SOCs), as defined by the Bureau of Labor Statistics (BLS) on its Occupational Employment Statistics (OES) survey (http://www.bls.gov/oes/2001/oes_tec.htm) that may be used by hospitals in different mixes to provide specific aspects of patient care. CMS decided to use BLS's SOCs to categorize employees for the occupational mix survey in an effort to ease hospitals' reporting burden; most hospitals have had experience with collecting and reporting their employment data according to the SOC definitions. The 2003 survey included a total of 19 SOCs that provide services for the above 7 categories and an "all other occupations" category. The hours collected on the 2003 survey were used to determine the proportion of a general service category total that is attributable to each of the category's SOCs, that is, the category's occupational mix. Hospitals were instructed to provide occupational mix survey data either prospectively for a 4-week period beginning on or between December 28, 2003 and January 11, 2004, and ending no later than

February 7, 2004, or retrospectively for a 12-month period, that is, calendar year 2003.

In addition, CMS collected data on the average hourly rates for the 19 SOC's in order to derive a weighted average hourly rate for each labor market area. To decrease hospital's reporting burden for this initial collection of the occupational mix data, and to facilitate the timely collection of the data, CMS did not require hospitals to report total wages or average hourly rates on the 2003 occupational mix survey. Instead, CMS used national average hourly rates from the BLS OES 2001 National Industry-Specific Occupational Employment and Wage Estimates, SIC – Hospitals (http://www.bls.gov/oes/2001/oesi3_806.htm).

In the FY 2005 hospital inpatient prospective payment system final rule (IPPS, 69 FR 49034, August 11, 2004), CMS provided a full discussion of the 2003 survey and the application of the occupational mix adjustment to the wage index. The notice also included a summary of public comments and suggestions for improving the occupational mix survey. Similar comments and suggestions were received for the FY 2006 wage index (70 FR 47365).

- Commenters expressed concern regarding CMS's use of BLS average hourly rates for the occupational mix adjustment because the data collected for the BLS OES survey and the CMS wage index are not perfectly matched. Commenters were also concerned that CMS's use of national average hourly rates instead of hospital-specific rates would result in inaccurate occupational mix adjustments for hospitals that pay wages above or below the national averages. The commenters supported CMS's intent to collect both wage and hours data to compute hospital-specific average hourly rates for future occupational mix surveys.
- Some commenters opposed our decision to allow hospitals to provide occupational mix data prospectively for a 4-week period. The commenters believed that prospective data collection would provide more accurate data than retrospective reporting, however, they expressed concern that the specified 4-week reporting period occurred during hospitals' peak season and would not be representative of hospitals' annual staffing (about 30 percent of hospitals used this option). The commenters suggested that the next survey should be prospective only and should cover a 6-month to 1-year reporting period.
- Some commenters stated that a lack of clarity by hospitals in determining the proper category to place certain employees (for example, a registered nurse who also conducts administrative duties) led to errors and inconsistencies in reporting that may have contributed to the unexpected outcomes of the 2003 survey. The commenters recommended that CMS clarify the survey definitions.

- Some commenters suggested changes to the categories that were included in the 2003 survey. One commenter recommended that CMS exclude the dietary categories and medical assistants. The commenter noted significant variations among hospitals in these categories that may have been due to lack of clarity regarding the category definitions. The commenter further cautioned that, although only a small portion of hospital workers are in these occupational categories, misreporting in these categories could significantly distort the occupational mix data because the categories have low hourly rates. MedPAC recommended that CMS assess whether including subcategories of RNs would result in a more accurate occupational mix adjustment. MedPAC believed that including all RNs in a single category may obscure significant wage differences among the subcategories of RNs, for example, the wages of surgical RNs and floor RNs may differ. Also, to offset additional reporting burden for hospitals, MedPAC suggested that CMS should combine the general service categories that account for only a small percentage of a hospital's total hours with the "all other occupations" category, since most of the occupational mix adjustment is correlated with the nursing general service category.

In the October 14, 2005 Federal Register notice (70 FR 60092), CMS published the proposed 2006 occupational mix survey, which included modifications intended to address the above concerns. CMS received 27 comments in response to that notice. After carefully considering the comments and suggestions, CMS made further modifications to the 2006 survey. The final 2006 Medicare Wage Index Occupational Mix Survey included in this package provides for the collection of hospital-specific wages and hours data, a 6-month prospective reporting period (January 1, 2006 through June 30, 2006), additional clarification of the definitions for the occupational categories, an expansion of the nursing categories to include functional subcategories, the exclusion of average hourly rate data associated with advance practice nurses, and the transfer of each general service category that comprised of less than 4 percent of total hospital employees in the 2003 survey to the "all other occupations" category.

B. Justification

1. Need and Legal Basis

Section 304(c) of Public Law 106-554 mandates an occupational mix adjustment to the wage index, requiring the collection of data every 3 years on the occupational mix of employees for each short-term, acute care hospital participating in the Medicare program.

2. Information Users

Each of the approximately 3,800 IPPS providers participating in the Medicare program will be required to complete the 2006 Medicare Wage Index Occupational Mix Survey. The initial survey will be forwarded via email to all of CMS's fiscal intermediaries.

3. Use of Information Technology

The fiscal intermediaries will be required to forward the survey, an electronic spreadsheet, to each IPPS provider via email. Once the provider has completed the survey, the provider will forward the survey back to the fiscal intermediary, who in turn will forward the survey to CMS.

4. Duplication of Efforts

There is no duplication of efforts.

5. Small Businesses

The collection of the occupational mix survey will affect the approximately 3,800 IPPS providers participating in the Medicare program. The providers will be required to submit the requested Medicare Wage Index Occupational Mix Survey every three years, as opposed to the submission of the current cost report wage data, which is submitted annually.

6. Less Frequent Collection

Section 304 of Public Law 106-554 requires CMS to collect occupational mix data no less than every three years. Failure to collect this data will result in CMS being in default of this mandate.

7. Special Circumstances

There are no special circumstances.

8. Federal Register/Outside Consultation

CMS provided public notifications of the 2003 occupational mix survey in the Federal Register on April 4, 2003 (68 FR 16516), September 19, 2003 (68 FR 54905), May 18, 2004 (69 FR 28252), and August 11, 2004 (69 FR 49034). In response to those notices, CMS received several suggestions for improving the survey, from MedPAC, national and State hospital associations, hospitals, and others. CMS received additional comments and suggestions from the public after stating in the FY 2006 IPPS proposed rule (70 FR 23371, May 4, 2005) the agency's intent to revise the occupational mix survey for future data collections. The proposed FY 2006 occupational mix survey reflects the public

recommendations that CMS agrees would most likely contribute to improving the occupational mix adjustment to the wage index.

9. Payments/Gift to Respondents

There are no payments/gifts to respondents.

10. Confidentiality

This collection is public information. CMS does not assure confidentiality.

11. Sensitive Questions

There are no sensitive questions.

12. Burden Estimates (Hours & Wages)

We do not collect survey data for hospitals that become designated as critical access hospitals (CAHs) since the original survey data were collected in 2003 and for hospitals that terminated participation in the Medicare program. Currently, there are approximately 3,800 short-term and acute care hospitals in the Medicare program. Although the data will be collected for a six month period of time from January 1, 2006 to June 30, 2006, we believe the information required for the survey will be available from hospitals' existing recordkeeping systems. For this reason, we estimate the time associated with completing the occupational mix survey, and electronic submission to be 20 working days (20 days x 8 hours per day = 160 hours). 3,800 hospitals x 160 hours = 608,000 total burden hours. When computed, assuming at a current salary of \$25 per hour plus 20 percent for fringe benefits (\$30 per hour x 160 hours per hospital), the estimated cost of burden is \$4800 per hospital.

13. Capital Costs

We do not expect hospitals to have any capital costs associated with this revised collection effort. The information that hospitals provide should already be available through their existing systems.

14. Cost to Federal Government

The fiscal intermediary will be responsible for reviewing the survey, once received from the hospitals. An auditor (fiscal intermediary) review of each hospital's occupational mix survey data should take approximately 5 hours. When computed, 3,800 hospitals x 5 hours FI review per hospital x \$25 per hour plus 20 percent for fringe benefits (Auditor/Financial Analyst AHW based on annual salary of \$45,000 [estimated from OES survey]), the Federal cost is approximately \$570,000.

15. Changes to Burden

We do not require the occupational mix survey data to be completed by hospitals that have become designated as CAHs or hospitals that have terminated participation in the Medicare program. For the FY 2003 occupational mix survey, we estimated that 4,500 hospitals would need to complete the survey based on the wage information that we collected at that time for the annual IPPS update. Currently, there are approximately 3,800 short-term and acute care hospitals participating in the Medicare program. We based this estimate on the number of hospitals that submitted wage index information for the FY 2006 IPPS rule.

16. Publication/Tabulation Dates

The information provided by the survey will be made public through the CMS public use file web site and the proposed and final rules in the Federal Register for fiscal year FY 2008.

17. Expiration Date

CMS would like an exemption from displaying the expiration date as these forms are used on a continuing basis. To include an expiration date would result in having to discard a potentially large number of forms.

18. Certification Statement

There are no exceptions to the certification statement.

C. **Collection of Information Employing Statistical Methods**

There are no statistical methods.